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C O N F I D E N T I A L QUITO 002549

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TREASURY FOR STEVE GOOCH

E.O. 12958: DECL: 10/18/2016
TAGS: [EFIN](#) [ECON](#) [EINV](#) [PGOV](#) [PINR](#) [EC](#)
SUBJECT: MINISTER OF ECONOMY RODAS RESIGNS

REF: QUITO 1924

Classified By: DCM Jeff Brown. Reasons: 1.4 b and d.

¶1. (C) Summary. Minister of Economy and Finance Armando Rodas submitted his resignation late on October 17. On October 18 President Palacio named Jose Jouvin as the new Minister of Economy, the fifth to occupy that position since Palacio became president in April 2005. While Rodas's resignation was purportedly for "personal reasons," Embassy believes he resigned because he was not willing to approve additional spending during the last three months of the Palacio administration. End Summary.

¶2. (SBU) In his resignation statement, Rodas said that he was leaving for strictly personal reasons, and that "I am a technician, and I am leaving the President of the Republic the freedom to have absolute political liberty to manage the last three months of his government." Rodas had been appointed as Minister in July and only served in that capacity for three-and-half months (about average for a Minister of Economy under this administration). One of Rodas's major accomplishments was the introduction of a law that defines how revenue from the former Occidental Petroleum fields will be used; ironically, the Ecuadorian congress will likely approve the law in final on October 18 (septel). Rodas had also committed to finding a solution to the arrears that the GOE owes Machala Power, a U.S.-owned electricity generating company (reftel), had presented a proposal to Machala, and Machala representatives were planning to meet with him on October 19 to provide their response.

¶3. (C) We understand from the IMF Resident Representative that Rodas had been relatively cautious about approving expenditures and looking for "creative" ways to identify funding for additional expenses, in part because he was concerned about his potential liability after leaving office. We had also heard recently from former Minister of Economy Magdalena Barreiro that the Ministry was under significant pressure from the President's office to approve additional expenditure; Barreiro assumed that Under Secretary for Finance Proano was going to resign as a result.

¶4. (U) Prior to becoming Minister of Economy, Jose Jouvin Vernaza had been President of the Banco del Estado, a government-owned development bank responsible for lending to municipalities. Jouvin had been appointed to that position shortly after Palacio became president; previously, Jouvin had served as Secretary General of the Vice President's office when Palacio had been Vice President under Lucio Gutierrez. Jouvin, who is from Guayaquil, is also a businessman active in the paper industry, and had previously served as the Commercial Counselor in the Ecuadorian Embassy

in Lima. He received a Commercial Engineering degree from the Universidad Catolica Santiago de Guayaquil and a Masters in Administration from the Instituto Superior Ecuatoriano.

15. (C) Comment: We assume that Rodas either resigned or was asked to resign because he was not willing to approve extraordinary spending at the request of President Palacio. Jouvin, who is close to the President, may be more willing to approve such spending -- and the opportunities for 11th hour personal enrichment that may represent for the Palacio inner circle. Although Palacio is supportive of settling the Machala issue, we fear Rodas's departure may also complicate Machala Power's hopes of reaching a deal to address its arrears before the end of this government.
JEWELL